

The Consequences of Polish-Soviet Trade

By ZYGMUNT NAGORSKI

Reports from the military junta in Warsaw indicate that trials soon will be held of former high Communist Party officials responsible for the country's economic disaster; many will be charged with corruption, others with incompetence. But the trials will almost certainly spare from public accusation the main culprit — the Soviet Union.

Among the luxury items the Solidarity period in Poland brought to that unhappy country was freedom of disclosure. There were so many disclosures of public documents revealing the manner in which previous governments had run Poland that some important information went unnoticed. One such disclosure suggested the extent to which the Soviet Union carried the principal blame for the gradual decline of Poland's economic welfare and for the dramatic growth of Polish indebtedness to the West. At a relatively minor gathering of provincial party officials last spring, a document was presented by a party member describing the economic consequences of the trade policies the Soviets imposed on Poland over the last five years.

In 1976, according to the document, Russian leaders convinced their Polish counterparts that it would be in their mutual interest to transact trade in a specially created accounting system and that the Russians should be permitted, and even encouraged, to purchase from Poland finished and semi-finished products in exchange for raw materials.

Limited-Use Ruble

The trade agreement's unit of exchange was described as a transferrable ruble, which is the term often used to describe the unit used to settle trade accounts among the Comecon partners. But this system seems to have been uniquely developed between Poland and the Soviet Union. Poland's debts to other members of the Soviet bloc could not be paid in this monetary unit, nor could it be used to accumulate monetary reserves. In short, in spite of its official label, the new unit of payment introduced as the only permissible one in 1976 was neither transferrable nor liquid.

It allowed the Soviet Union to bypass the problem of hard currency. Using hard currency received in loans from the West, Poland would purchase licenses, some raw materials, semi-finished products and food from Western suppliers. Poland was then asked to sell a wide range of finished products to the Soviet Union.

For bookkeeping purposes, the value of a dollar for these transactions was set at 67 kopecks, and later 62 kopecks, even below the official level of the regular Soviet ruble. The Poles calculated in the party meeting document that the Soviet Union was making a clear profit of about 30% on each dollar transacted. Poland, which paid in dollars to the West, was the loser.

During the party meeting at which the disclosure of this agreement was made, one speaker drew a daring conclusion: Poland's high indebtedness to the West was in

direct proportion to the volume of Poland's trade with the Soviet Union.

To check on the validity of that assumption, it is necessary to look back. The new system was introduced roughly five years ago. Until 1976, Poland's indebtedness to the West amounted to \$3.8 billion, in spite of the fact that the first five years of the decade saw tremendous industrial growth and a high level of investments in heavy industry. Today's debts amount to over \$27 billion.

Poland's trade balance with the Soviet Union was on the positive side and on an average, Poles were able to accumulate around \$3 billion annually in their hard currency reserves. They also had at that time a fairly solid credit rating in the West. Until then, all the Soviet-Polish trade was conducted through clearings. Goods sold to Russia were calculated on the current value of the dollar; the same principle was applied to Soviet goods sold to Poland and then the entire transaction was recalculated in rubles. Poles were losing a little due to the inflated value of the ruble but it was the least they could expect. Once the system was changed in 1976, the entire picture of trade with the Soviet Union changed.

"The reasons for the present crisis," the party meeting document states, "are rooted in the unjust and unfair conditions of our foreign trade, conditions which can be described as robbing Poland of its hard currency reserves." In addition to depriving Poland of its hard-won currency and forcing it into further debt to the West, the system made the Polish market an extremely attractive hunting ground for official Soviet buyers.

Scores visited Poland from 1976 onward. Inhabitants of Warsaw recalled endless television coverage about arrivals and departures of Soviet dignitaries: ministers, directors of industrial sectors from Soviet Asiatic republics and others. Shortly thereafter, a connection was observed between sudden shortages of goods and products and the direct, professional interests of the departed visitors.

After the Soviet minister of energy left, coal was not readily available on the market; power plants began receiving lower quality coal, reducing productivity by 15% to 17%. A visit by the minister of chemical industry resulted in a shortage of chemical fertilizers. **Drugs were in short supply af-**

ter a huge order was placed by the visiting Soviet minister of health. The most damaging of these visits was that of the man in charge of the Soviet agricultural sector. From then on, Poland became an active exporter of grains and meat to the Soviet Union.

Even without official visits, the document says, the Soviet Union increased its role as a trading partner of Poland in a number of other sectors. Moscow became the largest importer of Polish power stations and high voltage equipment; it tripled its purchases of mining machinery; it increased considerably imports of railroad cars and locomotives. Today, the USSR is the largest importer of Polish telephones and communication equipment. Five million units of telephone receivers were exported from Poland to the Soviet Union in 1978 alone. Altogether, according to the official Polish statistics in 1978, exports of industrial machines and equipment increased by over 30% from the preceding year. The list, presented at the provincial party meeting, is far from complete.

Airplane engines, computers, shipbuilding machinery and armament factories have also been listed as heavily oriented toward Soviet export markets. All these finished goods called for heavy injections of high technology, spare parts and other items obtainable in the West only for hard currency.

The document also cites the remarks of a top Polish government official on the high level of industrial activity needed to fulfill Soviet requirements: "According to the declaration of Minister Marian Krzak (currently minister of finance), published in Dziennik Baltycki (The Baltic Daily, No. 75, 1981), in order to secure the necessary production to fulfill export needs it would have been necessary in 1981 to secure an additional loan from the West of \$11 billion."

An indirect reference to that state of Soviet-Polish trade appeared in a statement two days ago from Moscow and reported over Warsaw radio regarding new Soviet loans to be granted to Poland. There will be a decline in exports of capital goods from the Soviet Union and considerably lower exports from Poland to Russia due to economic conditions in Poland. The announcement also added that the USSR, due to a lack of hard currency in Poland, will assume the role of sole supplier of oil, nat-

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THE WASHINGTON POST
25 May 1980

VIP

Mrs. Kim's Mysterious 'Project K'

By Maxine Cheshire

PROJECT H¹ involved a mission for the late Howard Hughes.
"Project K" involved a Mrs. Kim and a Mr. Kwon and Korea.

And, as someone now says, "Kold Kash." Lots and lots of "Kold Kash." Hundreds of millions of dollars. Maybe a billion.

Now, it also involves the "House of Kyoto," a new restaurant in the Resorts International gambling casino in Atlantic City.

In 1977, during "Koreagate," Mrs. Sunja Kim paid a call on the Justice Department in Washington. She and her husband, Chul Hyun Kwon, chairman of the board of Union Steel Manufacturing Co. Ltd., in Seoul, were seeking political asylum for themselves and their children.

In a letter she delivered to the Justice Department, Mrs. Kim described her husband as a political prisoner of the Park Chung Hee government.

The Kwon family was willing to forfeit assets "in excess of \$300 million" in Korea if they could be assured sanctuary here, she wrote.

That was assuming, of course, that some way could be found to get her husband and two of their children out of Korea, where she said they were being held under house arrest and watched 24 hours a day.

Mrs. Kim was hoping to pull off a "Mission Impossible"-like plan to snatch her loved ones out from under the noses of the KCIA. She sought out journalists and lawyers and Americans with CIA connections and there was talk of staging her own private "Raid on Entebbe" with mercenaries and chartered jets and high-speed boats.

One lawyer (in a prestigious law firm) to whom she paid \$100,000 cash in New York betrayed her and she trailed him to his Manhattan bank and caught him putting her money in his safe deposit box.

Finally, someone sent her to Robert Peloquin and Intertel, the Resorts International security subsidiary that has been called the world's largest private intelligence network.

The story is easy to track up to this point. She became a client of Peloquin's, just as Howard Hughes had been.

Her plight was code-named "Project K" by Peloquin and Intertel.

No one involved will talk about it, but somehow, Mrs. Kim's husband seems to have made his peace with his enemies. A South Korean em- spokesman here said last week that Kwon is still in Seoul and is still chairman of the board of Union.

Mrs. Kim herself has moved into Atlantic City: Peloquin bought a \$300,000 house on Lagoon Drive in Margate to which she eventually took title and occupied.

One of Mrs. Kim's sons, Hosung, who uses the name "Alexi," made headlines in 1978 when he decided to give a \$40,000 gambling party for 1,000 friends, with a Mercedes and a Cadillac and a trip to the Bahamas as prizes.

"I have always wanted to own a casino," he told the Yale Daily News, "but that would have cost \$20 million."

The Kwon family's presence in Atlantic City and their plans for investing there have become a matter of interest to the New Jersey Casino Control Commission, which monitors anything to do with casino licensing.

There is reportedly an investigation under way to determine what Mrs. Kim's connection is, if any, to the "House of Kyoto," a \$2 million Japanese restaurant which just opened on the Resorts International mezzanine.

Although Mrs. Kim's name does not show up on ownership records or with Dun and Bradstreet in connection with the restaurant, she is reported by sources familiar with her activities in Atlantic City to have attended a meeting and identified herself as one of the owners.

The largest stockholder of record in the "House of Kyoto" is Dr. Chuel Kwon, who treated Mrs. Kim's daughter for fatal bone cancer at Memorial Hospital in New York. Dr. Kwon says he is not related to Mrs. Kim's husband.

As rich as the Mellons and Rockefellers, Mrs. Kim is a woman of elegance and breeding and education. She was a member of the National Unification Council, whose function was to elect South Korea's president.

She once served as an unofficial

hostess to a head of the KCIA, Lee Hu Rak, because his wife—a friend of Mrs. Kim's—was a less sophisticated woman who was uncomfortable in official society.

Mrs. Kim told a reporter that director Lee (now in jail under the present regime) suggested she come to Washington and open a salon and predicted that she could become as influential here as Anna Chennault. Mrs. Kim claimed that while she was in Korea she helped Mrs. Lee stuff \$10,000 in \$100 bills into 21 envelopes that were to be given to visiting American congressmen.

Mrs. Kim, like many Koreans, holds both Korean and Japanese passports, and has a home and business interest in Tokyo as well as Seoul. She also owns an apartment in the East 80s in New York.

During the past two years, there has been an influx of Korean and Japanese money into Atlantic City.

One group that is already building a casino is headed by Takashi Sasagawa, whose father, Ryoichi Sasagawa, founded motorboat racing, the most profitable form of public gambling in Japan.

Ryoichi Sasagawa, called a war criminal by Gen. Douglas MacArthur in 1945, once called himself "Japan's richest fascist." He has in the past been prominently identified with the Unification Church of the Reverend Sun Myung Moon.

He has also been described as closely allied with Yoshio Kodama, Tokyo's shadowy "godfather" of "yakuza" or gangsters, of the underworld.

Gambling is a \$15 billion-a-year business in Japan.

The arrival of so many Oriental investors in Atlantic City has greatly complicated enforcement of casino licensing because of unfamiliarity with that part of the world. Investigators charged with keeping what they determine to be undesirable elements of all kinds out of Atlantic City suddenly find themselves poring through copies of the Far Eastern Economic Review and books like "The Tattooed Men" by Florence Rome, a report on the Japanese criminal underworld.

Ryoichi Sasagawa's name appears only once in "The Tattooed Men," when he was listed as an associate of Kodama's among the prominent guests who attended the wedding of a well-known gangster's son.

ural gas, pig iron and saw timber. It is worth remembering that in the past the Soviet Union exported to Poland about 9 million tons of iron ore and 13 million tons of oil annually.

The attractiveness of the Polish trade to the Soviet Union under the new arrangements is clearly illustrated by the degree that Soviet-Polish trade grew over the years. The last three five-year plans between the two countries can be taken as indicative. According to statistics cited in the party meeting document during the first of these, 1966-70, the volume of trade grew by 8.2%; during the second, 1971-75, still operating on the principle of clearances, the growth amounted to 17%. In the last five-year period, 1976-80, the increase was 22%. Considering that Polish productivity increased during that last period by 5.8%, the gap between productivity and export requirements can be easily understood.

The Roots of Solidarity

That gap also explains shortages in Poland of food and industrial goods. In 1980, only 4% of industrial production was earmarked for the agricultural sector and even that meager share was not delivered. Exports to the Soviet Union drained domestic Polish markets, contributed heavily to the Polish indebtedness to the West and indirectly must have been responsible for the initial economic upheavals among Polish workers. These upheavals led eventually to the birth, success and ultimate temporary demise of the Solidarity movement.

The Polish economic crisis cannot be fully attributed to the Soviet export exploitation. But judging from the facts and figures as they emerged during the liberalization period in Poland, and never challenged by either Soviet or Polish officials, it was a considerable factor. Conventional wisdom often voiced in the West that the Soviet Union has a vested interest in seeing Poland afloat is only partly correct. Poland, as it emerged from the above analysis, has been an excellent conduit of goods and services that the Soviet Union would have had to buy outside the Eastern bloc for hard currency. Instead, Poland paid the bill. It was Poland that earned itself a poor credit rating, and it was Poland that attempted to free itself from both export requirements and other forms of Soviet direct and indirect pressures and paid the ultimate price.

It has been reported that the Soviet Union has "helped" Poland in paying part of its interest due to the West. The Soviet Union should also seriously consider contributing a major part of the principal of the Polish debt.

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THE WASHINGTON POST
24 May 1980

JACK ANDERSON

Belgrade Incident — Intelligence reports indicate that Soviet President Leonid Brezhnev, taking advantage of President Carter's absence, scored a hit at Marshal Tito's funeral in Belgrade.

Brezhnev improved his relations not only with the Yugoslavs but with other European leaders who attended the funeral.

Brezhnev sowed seeds in Belgrade, according to the reports, which could lead to a Soviet peace offensive in Europe. The real purpose, of course, would be to wean away America's friends and allies.

The American ambassador to Yugoslavia, Lawrence Eagleburger, had urged Carter to attend the Tito funeral. Now the ambassador has recommended that Carter make a special state visit to Yugoslavia to undo the damage.

EXCERPTED